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C O N F I D E N T I A L SECTION 01 OF 03 BAKU 001475

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DEPT FOR NP/ECC - PVANSON, ACHURCH AND JGABRYSZEWSKI

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TAGS: [ETRD](#) [ETTC](#) [ECON](#) [PGOV](#) [PREL](#) [PINR](#) [AJ](#)

SUBJECT: AZERBAIJAN: AMBASSADOR'S INTRODUCTORY CALL ON  
CUSTOMS COMMITTEE CHAIRMAN

REF: (A) BAKU 848 (B) BAKU 620 (C) BAKU 267 (D)

EMBASSY-CBP EMAILS 10/06

Classified By: AMBASSADOR ANNE E. DERSE, PER REASONS 1.4 (B,D)

11. (C) Summary: During her September 28 introductory call on Customs Committee Chairman Aydin Aliyev, the Ambassador reviewed Customs' critical role in Azerbaijan's economic development and its important role in WTO, emphasizing that WTO membership sends a strong positive signal to U.S. businesses looking to invest in Azerbaijan. The Ambassador underscored that Azerbaijani Customs played an important role in defending Azerbaijan against the unimpeded flow of contraband, in facilitating the flow of legitimate trade in and out of the country (a critical activity for the future economic development of the country), and in providing fiscal and revenue collection to support the government. Aliyev briefed on the Customs Committee's operations, including on the country's harmonized tariff system. Aliyev requested the Ambassador's assistance in facilitating training in the U.S. at the Federal Law Enforcement Training Center and with concluding the Customs Mutual Assistance Agreement with the U.S. The Customs Committee has always been associated with rampant corruption; Aliyev complained that the Ministry of Finance has requested additional revenues from Customs for the 2007 State Budget, straining Customs' capacity. Aliyev's complaints about Minister Sharifov's efforts to squeeze more money for the budget from Customs could point to a growing rivalry between the President's new economic team and Minister Heydarov and his associates (to include Aydin Aliyev  
END SUMMARY

STRONG U.S.-AZERBAIJAN CUSTOMS SERVICE COOPERATION  
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12. (C) The Ambassador paid an introductory call on Customs Committee Chairman Aydin Aliyev on September 28. Chairman Aliyev praised the positive cooperation between the Azerbaijani and U.S. Customs services, noting especially the hard work of the Embassy's Export Control and Border Services (EXBS) office. Aliyev provided the Ambassador with a broad overview of the Customs Committee and its development over the past 15 years. He told the Ambassador that the Customs Committee has both law enforcement authority and fiscal authority.

13. (C) The Ambassador praised the Customs Committee cooperation and relationship with the U.S. Embassy. She underscored that Azerbaijani Customs played an important role

in defending Azerbaijan against the unimpeded flow of contraband, in facilitating the flow of legitimate trade in and out of the country (a critical activity for the future economic development of the country), and in providing fiscal and revenue collection to support the government. Aliyev told the Ambassador that the Customs Committee had purchased two pieces of monitoring equipment from a U.S. firm SAIC to scan cargo equipment at Azerbaijan's ports and added that Customs would purchase an additional two in 2007.

#### HARMONIZED TARIFF SYSTEM

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¶4. (C) Aliyev told the Ambassador that Azerbaijan implemented a harmonized tariff system in 2000 that is WTO compatible and has been a signatory to all the major World Customs Organization conventions, including the Nairobi and Kyoto conventions. He explained that Customs' initial efforts to harmonize tariffs and "convert goods" in the system were difficult. In addition, Aliyev stated that Azerbaijan was drafting a new Customs Code with assistance from the European Union. The new code should be finalized by November or December. The Ambassador told Aliyev that U.S. Ambassador to the WTO, Peter Allgeier, would be visiting Baku in October and would discuss with the Customs Committee techniques and strategies that country's use to manage WTO accession tariff issues.

#### REQUESTS FOR ADDITIONAL ASSISTANCE

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¶5. (C) Aliyev requested the Ambassador's assistance in coordinating Azerbaijani customs officer training at the Federal Law Enforcement Training Center (FLETC) in the U.S.

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Aliyev told the Ambassador that he had visited FLETC during a trip to the U.S. and thought training there could be beneficial for the Customs Committee, specifically to improve its ability to identify high risk cargo for inspection. He added that the Customs Committee would be willing to co-finance with the USG the cost of the training or, if necessary, it would pay for the training itself.

¶6. (C) Aliyev also requested assistance in concluding the long pending Customs Mutual Assistance Agreement (reftels A and B). Finalizing the CMAA has been a goal that the Customs Committee has pushed for since early 2006. The Ambassador said that the CMAA was an important building block for advancing customs services cooperation between the U.S. and Azerbaijan and could be signed during the upcoming Economic Partnership Commission meeting. Chairman Aliyev readily agreed.

#### ANTI-COUNTERFEIT PHARMACEUTICAL CONFERENCE

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¶7. (C) Chairman Aliyev told the Ambassador that the Customs Committee and GOAJ would host an international conference in February 2007, in coordination with the World Customs Organization (WCO), on the interdiction of counterfeit pharmaceuticals. Aliyev stated that Customs had invited international law enforcement agencies, health organizations and pharmaceutical companies to participate. In addition to the groups that Customs has already invited, the Embassy, through the EXBS office, provided the contact information for PhRMA in the U.S.

¶8. (C) Aliyev said that the Customs Committee had a negative reputation with the general public due to articles in opposition newspapers. (NOTE: The blaming of opposition newspapers for negative public image is a common argument used by GOAJ officials. The Customs Committee is notorious for its corruption, which has contributed greatly to its negative popular image.) Aliyev continued that Customs' area of responsibility is difficult, citing the long open borders

with Iran and Russia. Aliyev said that customs operations are complex and additional training would assist the Customs Committee in its efforts.

#### FINANCE WANTS MORE MONEY FROM CUSTOMS

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¶9. (C) Aliyev complained to the Ambassador that the Finance Ministry had increased the amount of revenue the Customs Committee had to provide to the budget in 2007. Aliyev said that in 2006 the Customs Committee provided USD 500 million to the State Budget and that in 2007 this amount had increased USD 150 million to USD 650 million, an increase of 30 percent. In a separate conversation, the local IMF resident representative relayed that the Finance Ministry had requested additional funds from the Customs Committee and Ministry of Taxation, adding that the Finance Ministry did not believe that Customs and Taxation had not been declaring all their revenues in previous years. The IMF rep opined that this increase was a direct threat to the economic interests of both Customs and Ministry of Taxation.

¶10. (C) Surprisingly, Aliyev admitted to the Ambassador that Customs maintains an "off budget" account for Customs' operations and that the Ministry of Finance is also interested in taking some of the funds in this account. Aliyev said that since Customs was unable to increase tariffs due to "concerns from the IMF," the Ministry of Finance's requests for additional funds was a "problem for Customs" and was "cutting into Customs' budget and resources."

#### IRAN AND NARCOTICS

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¶11. (C) Turning to customs activities on its borders, Aliyev recounted to the Ambassador several narcotic interdiction successes, including a recent seizure on the Iranian border of 52 kilograms of opium. Aliyev stated that there were approximately 170,000 drug addicts in Azerbaijan who consumed nearly 50 tons of drugs per year - this figure does not include drugs in transit through Azerbaijan to other countries. He explained that Customs works well with the Ministry of National Security to interdict transiting drugs

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and that the Customs Chairman is an "enemy of the Iranian Customs services." Aliyev commended past U.S. Embassy assistance in Customs' efforts to interdict narcotics transiting Azerbaijan. The Ambassador told him that she looks to revive the good cooperation to prevent drug trafficking.

#### COMMENT

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¶12. (C) Customs Committee Chairman Aliyev is prepared for and interested in additional engagement and cooperation with the U.S. Unsurprisingly in a post-Soviet state and developing economy, the Customs Committee is associated with inefficiency and rampant corruption. Intensified engagement may provide the U.S. with a prime opportunity to advance our reform efforts at Customs and improve and modernize its operations. After Aliyev assumed responsibilities at Customs in early 2006, small and medium importers complained that Customs agents were extorting larger bribes than before, stopping trade at many of Azerbaijan's borders and ports. An effective customs service is a critical element in improved border protection in Azerbaijan, important to U.S. interests in blocking the illegal flow of drugs, people and WMD from and through Iran and Russia. We are delighted that U.S. CBP is prepared to follow-up on Aliyev's interest in cooperation (REF D) and look forward to receiving CBP's proposal on next steps.

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